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SUBJECT: ANHUI SHOWCASES INDUSTRIAL DEVELOPMENT IN LU'AN

REF: A. A SHANGHAI 210
[1](#)B. B SHANGHAI 209
[1](#)C. C SHANGHAI 104
[1](#)D. D SHANGHAI 96
[1](#)E. E 08 SHANGHAI 449

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Summary

[1](#)1. (SBU) On April 25-27, Shanghai Deputy Principal Officer and ConOff traveled to Anhui to attend the 2009 Central China Expo in Hefei (ref A) and visit Lu'an Municipality in western Anhui. 'Central China Rising' was the theme of the weekend, and provincial leaders and Foreign Affairs Office (FAO) officials were eager to showcase Anhui's continued economic growth despite the global downturn. Anhui's provincial government has increased its 2009 GDP growth target by two percentage points to 10 percent and is confident that it will meet that objective. Lu'an, with a relatively small population, does not send as many migrants to coastal regions as other parts of Anhui, and it has been successful in fostering its own industrialization. Participation of DPO and ConOff in these late April events is part of Consulate's ramping up of outreach activities to Anhui Province, the least affluent part of our consular district (also see ref B). End Summary.

Governor Wang Sanyun: 'Anhui's Turn to Rise Up'

[1](#)2. (SBU) In an April 26 meeting with foreign diplomats on the margins of the 2009 Central China Expo, Anhui Province Governor Wang Sanyun touted Anhui's economic achievements. Despite the economic downturn, Anhui's GDP growth has continued to exceed 10 percent each year, and infrastructure investment has increased by 30 percent annually. Governor Wang attributes this success both to the Central Government's stimulus package and to the province's own investment in infrastructure and policy of encouraging innovation.

[1](#)3. (SBU) Acknowledging that growth has slowed in Anhui due to

the global economic downturn (see Ref C), Wang explained that Anhui's provincial government is responding by pouring money into infrastructure projects which it hopes will turn the province into a transportation hub for Central China and attract foreign investment. Anhui has earmarked RMB 300 billion for 27 construction projects that include adding 5000 kilometers of railway and roads, and the province eagerly anticipates the completion of express railways that will reduce travel time from Hefei to Shanghai, Hangzhou, and Beijing, putting Shanghai and Hangzhou less than two hours away and Beijing two and a half hours away. Governor Wang is optimistic that this improved transportation infrastructure, combined with the province's mineral and agricultural resources, will position Anhui to become one of China's more prosperous provinces. He pointed to China's leading cement manufacturer Conch Group; two of China's leading domestic auto manufacturers, the Chery Auto Group and Jiang Huai Company (JAC); Ma'anshan Steel; and iFLYTEK as examples of Anhui-based companies that are on the cutting edge of technology and that function as strong engines for Anhui's continued economic growth (See Ref D).

Huoshan County: The Wenzhou of Anhui

14. (SBU) According to Anhui Foreign Affairs Office Deputy Director-General Lu Youqin, Anhui's provincial government is now targeting 10 percent GDP growth in 2009 and is confident that it will meet that objective, although GDP growth will probably not exceed 12 percent. One source of continued GDP growth is Huoshan County, part of Lu'an municipality, which DPO and ConOff visited after attending the Central China Expo in Hefei. (Note: Lu'An, 70 kilometers west of Hefei at the foot of the Dabie

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Mountains, is written with the characters for 'six' and 'peace,' and normally would be romanized, and pronounced, as 'Liu'an.' However, local signs romanized the place name as 'Lu'an,' which is evidently the local pronunciation. End note.) Lu'an Municipal Communist Party Committee Secretary Tang Linxiang hosted a dinner featuring a dance and music show to welcome the diplomatic delegation to Lu'an. The next day, Lu'an Vice-Mayor and FAO officials showcased the rapid growth of industry in Anhui with a tour of several export-oriented companies based in Huoshan County. DPO and ConOff also toured the Foziling Reservoir, one of the first dams and hydroelectric power plants built after 1949 with assistance from Soviet experts. (Comment: Easy availability of cheap electricity may have been a significant factor in Huoshan's industrialization. End comment.)

15. (SBU) Anhui Shilin Lighting Co. Ltd. employs over 3000 Lu'an residents and makes incandescent light bulbs, 85 percent of which it exports to 80 different countries. In the factory, DPO and ConOff noticed a slogan exhorting workers to pay close attention to quality, or else 'the company will become another San Lu,' referencing the Hebei dairy firm that was bankrupted by the melamine milk scandal. Anhui Yingliu Group is a foundry and casting company that makes valves and other metal parts for the oil, automobile, and construction industries and for ships, electrical machinery, and trains. Headquartered in Hefei, its manufacturing base is in Huoshan, where its founder, a demobilized PLA officer, got his start with a small trucking firm. It exports its products to 56 countries and is a major supplier for U.S. firms such as Fisher Controls. Anhui Yingjia Group, China's fifteenth largest liquor producer, is one of Huoshan County's most profitable companies with annual sales revenue topping RMB 1 billion.

¶6. (SBU) The Guoya Group, headquartered in Huoshan County, is the largest bamboo flooring manufacturer in China, producing up to 5 million square feet of flooring per month. It exports flooring and furniture to North America, Europe, and Australia. All the wood used in Guoya's products comes from Anhui province, and 90 percent of the employees at the company's Huoshan headquarters are from Lu'an. Interestingly, despite the economic downturn, Guoya anticipates U.S. sales to reach USD 20 million in 2009, up from USD 13 million in 2008. This optimistic projection is based on the belief that U.S. consumers will increasingly turn to bamboo furniture because bamboo is more environmentally friendly than other types of wood.

Guang-what? Jobs in Huoshan mean fewer migrants moving eastward

¶7. (SBU) According to Lu'an FAO Deputy Director Zheng Shuhua, a disproportionately low percentage of laborers leave Lu'an for Guangdong and other eastern industrial centers because the strong industrial presence in Huoshan County provides more employment opportunities than are available in other parts of Anhui. Zheng estimates that approximately 50,000 of Lu'an's 366,000 inhabitants, or one out of seven people, travel outside Anhui to look for work. (Note: Anhui Foreign Affairs Office Deputy Director-General Lu Youqin estimates that 20 million of Anhui province's 67.41 million inhabitants are migrant laborers, of whom 6 million have come back to Anhui since the start of the economic downturn. This number seems high and, in any case, is higher than the estimate an official from Anhui Provincial Bureau of Labor and Social Security gave Poloff in October 2008 (see Ref E). End Note.) Although Lu'an's industry draws both manual laborers and high-level employees working in management and R&D, Lu'an and Huoshan have small populations relative to other municipalities and counties in Anhui. Huoshan County Communist Party Member Li Yuwu told DPO and ConOff that unemployment is not a major concern in Huoshan and estimates that the companies operating in the area have a short- to mid-term hiring capacity for 10,000 additional employees. The president of a vocational school in Lu'an said that, even now, 90 percent of its graduates find work shortly after graduating.

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Comment: A Model for the Rest of Anhui?

¶8. (SBU) Huoshan County has been successful at attracting investment and making productive use of its local workforce, but much of Anhui's population still lives in areas where job opportunities are sparse. While Anhui is actively working to develop its infrastructure, promote investment, advance science and technology, and cultivate local talent, the lack of job opportunities in Anhui, particularly in the northern part of the province, will continue to push people eastward in search of jobs. Huoshan, at least in the short-term, is likely to remain an exception. End Comment.

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